

Drinking Water Treatment
Revolving Loan Fund
Intended Use Plan for
The State of Hawaii
Fiscal Year (SFY) 2007
and
The Federal Fiscal Year
(FFY) 2006 Appropriation

Submitted to the
U.S. Environmental Protection Agency
Region 9
by the
State of Hawaii

State of Hawaii
Department of Health
Environmental Management Division
Safe Drinking Water Branch
Wastewater Branch
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I. INTRODUCTION

A. State of Hawaii's Drinking Water State Revolving Fund Program

In 1996 the Drinking Water State Revolving Fund (DWSRF) was established by Congress with the passage of Federal amendments to the Safe Drinking Water Act (SDWA) in 1996 (Public Law 104-182). Section 1452 of the SDWA authorized the Administrator of the EPA to award capitalization grants to states for the purpose of establishing a loan program to finance drinking water infrastructure projects necessary for public water systems (PWSs) to attain and maintain compliance with SDWA requirements and to further the health protection objectives of the SDWA.

On May 2, 1997, Hawaii's Governor signed legislation to establish the Drinking Water Treatment Revolving Loan Fund (DWTRLF) (Act 218/97) in the State of Hawaii. The DWTRLF program (also referred to as DWSRF) complies with the provisions of the SDWA, section 1452, for the State of Hawaii.

Hawaii's DWSRF program is administered jointly by the Department of Health (DOH), Environmental Management Division, Safe Drinking Water Branch (SDWB) and Wastewater Branch (WWB). Administration is in accordance with Hawaii Revised Statutes, Chapter 340E, Hawaii Administrative Rules, Chapter 11-65, and a Memorandum of Agreement between the SDWB and WWB.

B. DWSRF Program Overview

From FFYs 1997 through 2005, EPA approved capitalization grants totaling \$75,335,200.00 to be utilized by Hawaii's DWSRF Program. Of this total grant amount, \$18,775,622.63 has been set aside for activities relating to the administration of the loan program and to support other drinking water program initiatives. The remaining grant monies, \$56,559,577.37, have been deposited into the "Loan Fund," and will be used to finance loans for eligible DWSRF projects. In addition, Section 1452(e) of the SDWA mandates that the State must deposit into the Loan Fund an amount from State monies equaling at least 20% of each capitalization grant payment. State Match appropriations for this period totaled \$15,571,000.00.

DWSRF Loan Fund Overview (June 30, 2006)	Federal Fiscal Years 1997-2005
DWSRF Capitalization Grants	\$75,335,200.00
Less Set-Aside Funds*	(18,775,622.63)
State Match Appropriations	15,571,000.00
Total DWSRF Loan Fund	\$72,130,577.37

* See Set-Asides Overview for itemization.

A total of \$52,829,318.36 has already been used to finance construction projects, with an additional \$9,874,303.00 being formally committed to pending DWSRF loans.

Additional loan commitments are anticipated for several other eligible drinking water projects that are currently being processed.

States are allowed to set aside part of the federal capitalization grants to support the various drinking water programs. Separate and identifiable accounts have been developed to be used for these Set-Aside Activities. To date, a total of \$18,775,622.63 has been set aside for these activities as shown below.

Set-Asides Overview (June 30, 2006)		
SDWA Set-Aside Reference	Set-Aside Activity	FFY 1997-2005 Set-Aside Funds
Section 1452 (g) (2) - (4%)	DWSRF Administration Fund	\$3,013,408.00
Section 1452 (g) (2) - (10%)	State Program Management	7,529,669.88
Section 1452 (g) (2) - (2%)	Small Systems Technical Assistance	1,486,175.16
Section 1452 (k) - (15%)	Local Assistance and Other State Programs	6,746,369.59
Total Set-Asides for FFY 1997-2005		\$18,775.622.63

C. Intended Use Plan Objective

The State of Hawaii, Department of Health developed this Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2007. This IUP will be submitted to the Environmental Protection Agency (EPA) as part of the DOH's application for the Drinking Water State Revolving Fund (DWSRF) Federal Fiscal Year (FFY) 2006 Capitalization Grant Appropriation.

This Intended Use Plan (IUP) is a central component of Hawaii's DWSRF FFY 2006 Grant Application and serves to convey the program's plan to interested parties which may include owner's of public water systems, the general public, EPA, and other state agencies or departments.

DWSRF program plans for SFY 2007 are based on the anticipated award of the FFY 2005 Federal Capitalization Grant of \$8,285,500.00, the FFY 2006 Federal Capitalization Grant of \$8,352,500.00 (estimated) from EPA and receipt of \$1,661,000.00 (estimated) appropriated by the 2006 State Legislature for use as the state match. This IUP will provide information regarding the use of the federal, state and additional monies generated from other program sources during this SFY 2007 period. Details on key aspects of the program, including the long and short term goals, the priority setting criteria, and a listing of projects, are included in this IUP.

This IUP for SFY 2007, when finalized and approved, will replace the previous Intended Use Plan for SFY 2006. An IUP is written annually for each State Fiscal Year.

II. DWSRF LONG-TERM AND SHORT-TERM GOALS

In establishing the national DWSRF program, Congress gave the States the flexibility to design a program that can be tailored to meet the needs of the local public water systems. The long and short term goals for Hawaii's DWSRF program are presented below. They provide a framework for the direction of Hawaii's DWSRF program.

A. Long Term Goals

1. To assist as many water purveyors as possible to attain compliance with State and Federal Drinking Water Regulations through the low interest loan program.
2. To maintain the DWSRF Program in perpetuity.

3. To research options of providing funds to assist in financing improvements to privately owned public water systems.

B. Short Term Goals

1. Continue development of a system to track the currently required tracking items which may include accounting, management, set-asides, compliance and customer service concerns.
2. Continue modification of the Functional Procedures to reflect and meet the DWSRF requirements and needs.
3. Continue to follow the implementation of the Capacity Evaluation program and adjust the implementation to meet with the DWSRF loan program needs.

III. DWSRF FINANCIAL INFORMATION

A. DWSRF Capitalization Grant for FFY 2006

For FFY 2006, Congress has appropriated \$850,000,000.00 for the national DWSRF program. Subtracting National Set-Asides of \$14,750,000.00 from the original appropriation leaves \$835,250,000.00 for individual state programs. Based on the latest Drinking Water Needs Survey, Hawaii's share for FFY 2006 is 1% of the total allotment for state programs, or \$8,352,500.00.

Hawaii's DWSRF is proposing to take 4% (\$334,100.00) of the FFY06 capitalization grant for set asides, while reserving the authority (banking) to take 11% (\$918,775.00) of the FFY06 capitalization grant set asides for future administration the DWSRF program and development and implementation other SDWA initiatives as described in the Set-Aside Activities section of this IUP. The remaining \$8,018,400.00 of grant and the appropriate State Match amount will be dedicated for funding eligible construction projects as noted in the Priority List section of this IUP.

B. DWSRF Project Eligibility

The DWSRF program will fund drinking water projects which are eligible for DWSRF consideration. The project categories include:

- Projects to correct acute health problems;
- Projects to correct chronic health problems; and
- Projects to meet other public health criteria.

C. Financing Guidelines for Government (State and County) Owned Public Water Systems:

Hawaii's DWSRF program will provide low interest loans for construction of eligible drinking water projects within the state. Project priority will be determined by program guidelines as detailed in Section V, "Priority List and Project Selection Procedures" in this IUP.

In most cases, loans to eligible projects are made under the terms and conditions effective at the time of financing. The following guidelines are currently in place at this time.

- Loans to eligible projects, using the currently available DWSRF funds, can be for 100% financing of the allowable project costs.
- Loan repayment periods will be limited to a maximum of 20 years, with repayment installments to be made semi-annually.
- DWSRF loan rates will remain fixed over the life of the loan.
- The DWSRF loan rate will be based on the current annual rate of the weekly Bond Buyers 20-year General Obligation index bond interest rate less a percentage rate of one per cent (1.0%) at the time a loan commitment is issued. In the event that the annual rate of the weekly Bond Buyers 20-year General Obligation index bond interest rate less a percentage rate of one per cent (1.0%) falls below three and twenty-five one hundredths per cent (3.25%), the rate shall be three and twenty-five one hundredths per cent (3.25%).
- The interest portion of this DWSRF loan rate will be the annual DWSRF loan rate established above less three and twenty-five one hundredths per cent (3.25%).
- Administrative loan fees will be equivalent to the outstanding principal balance of the loan multiplied by an annual rate of three and twenty-five one hundredths per cent (3.25%), to be computed based on, and be

payable on, the same dates that corresponding repayments of the principal and interest on the loan are due.

- The principal amortization for most DWSRF loans will begin one year after the Notice to Proceed (NTP) or the date of the final loan agreement, whichever is later.

D. Financing Policies for Privately Owned Public Water Systems:

DOH is reviewing its ability to provide financial assistance for privately owned Public Water Systems.

- Loans to eligible projects will be based on current commercial lending practices.
- The terms of the loans will not exceed twenty years.

A bill was passed on April 30, 2002 by the Legislature and adopted into the Hawaii Revised Statutes per Act 132, May 31, 2002 that permits monies in the revolving fund to be used to provide interest rate subsidies to eligible parties by depositing said funds into interest bearing accounts in participating financial institutions that issue loans for the implementation of eligible projects under the DWSRF program.

The DWSRF also continues to consider options regarding the use of contracts with outside organizations or agencies for services relating to the financing of eligible projects for privately owned Public Water Systems.

E. Status of DWSRF Funds

Sources of DWSRF Funds, found in Appendix A, identifies Hawaii's total funding sources for SFY 2007. This report is based on the DWSRF program's receipt of:

- The issuance of the expected FFY 2005 Federal Capitalization Grant totaling \$8,285,500.00 prior to June 30, 2006;
- The anticipated FFY 2006 Federal Capitalization Grant totaling \$8,352,500.00;
- The projected appropriation for State Match provided by the 2006 State Legislature to total \$1,661,000.00;
- The estimated uncommitted DWSRF funds at June 30, 2006

projected to total \$11,980,540.02;

- The projected DWSRF loan repayments (Principal and Interest) in SFY 2007 projected to total \$1,006,807.38; and
- Loan Fees.
On May 17, 2000, the State adopted Chapter 11-65, Hawaii Administrative Rules, entitled "Environmental State Revolving Funds." These rules establish fees for loans and other financial assistance from the DWSRF. There are two classes of loan fees:

(1) Program Fees: The State utilizes Program Fee monies only to cover DWSRF program administrative costs. Administrative activities include the costs of processing, issuing and servicing loans, supporting engineering services, financial and legal consulting fees, reimbursement for support services from the State, and other DWSRF activities.

Program Loan Fees collected (SFY05)	\$331,703.60
Actual Expenses incurred (SFY05)	\$ 35,821.55
(Based on State of Hawaii FAMIS)	

Program Loan Fees projected (SFY06)	\$356,509.77
Program Loan Fees projected (SFY07)	\$364,888.82

(2) Non-Program Fees: The State may utilize Non-Program Fees to primarily support DWSRF Administration activities, secondary to support the DWSRF loan fund, and then if available or applicable to support the Public Water System Supervision Program (PWSSP) and other Safe Drinking Water Branch activities.

Non-Program Loan Fees collected (SFY05)	\$104,350.41
Actual Expenses incurred (SFY05)	\$306,308.64
(Based on State of Hawaii FAMIS)	

Non-Program Loan Fees projected (SFY06)	\$105,778.83
Non-Program Loan Fees projected (SFY07)	\$105,890.27

The current annual loan fee rate is three and twenty-five one hundredths percent (3.25%) per annum of the outstanding principal balance of the loan.

IV. SET-ASIDE ACTIVITIES

The SDWA allows each state to set aside up to 31 percent of its federal capitalization grant to support various drinking water program activities including administration, technical assistance, state program management and other special activities.

This year Hawaii will reserve the authority to take (bank) 11 percent (\$918,775.00) of the FFY 2006 capitalization grant from future capitalization grants. The program will continue to use previous unexpended funds to support current set aside program needs. As the additional funds are needed to support set aside activities, the program will draw the reserve amounts from future capitalization grants. Being able to reserve the right to take the set-aside funds from later grants allow the current funds to be directed to loan projects now. Then only as needed, would the funds be drawn from the future grants to support the set-aside activities.

Hawaii will submit detailed workplans to EPA for approval before funds are expended on these activities. Hawaii will report on the progress of these set-aside activities to EPA in the annual performance status reports.

Set-Asides Overview			
SDWA Set-Aside Reference	Set-Aside Activity	Set Aside FFY 2006 Capitalization Grant Funds	BANKED FFY 2006 Capitalization Grant Funds
Section 1452 (g) (2) - (4%)	DWSRF Administration Fund	\$334,100.00	\$0.00
Section 1452 (g) (2) - (10%)	State Program Management	0.00	250,575.00
Section 1452 (g) (2) - (2%)	Small Systems Technical Assistance	0.00	167,050.00
Section 1452 (k) - (15%)	Local Assistance and Other State Programs	0.00	501,150.00
Total Set-Asides FFY06 Capitalization Grant		\$334,100.00	\$918,775.00

A. DWSRF Administration Fund (4%)

Section 1452(g)(2) of the SDWA allows up to 4 percent of the DWSRF Capitalization Grant to be set aside for administration of the DWSRF program. Hawaii will take 4 percent (\$334,100) of the capitalization grant this year.

Administrative functions include the development, implementation and review of DWSRF program processes and documentation needs that may include, but are not limited to, financial, managerial, and legal consultation, DWSRF set-aside and funds accounting, application review, public assistance, audits, information system maintenance, record retention and filing, environmental review, development of the IUP and priority list, budget, workplan, plans and specifications review and approval, construction inspections and staff training. Funds under this set-aside that are not obligated this year will be used for administrative expenses in the later years.

B. State Program Management (10%)

Section 1452(g)(2) of the SDWA allows up to 10 percent of the DWSRF Capitalization Grant to be set aside to support Public Water System Supervision (PWSS) program activities and other initiatives of the SDWA. Hawaii will reserve the right to take (bank) 3 percent (\$250,575.00) of the FFY06 capitalization grant this year to support those activities in the future.

These funds support activities which are important for the State Program to maintain primary enforcement authority, and strengthen the State's PWSS program. Activities covered under the State Program Management set-aside include, but are not limited to, Public Water System Supervision program activities, capacity development, operator certification, sanitary surveys, regulation development and contracts for conducting sanitary surveys, security training, cross connection training, and quality assurance and quality control measures. Funds under this set-aside that are not obligated this year will be used for respective program activities in future years or may be returned to the DWSRF loan fund.

C. Small Systems Technical Assistance (2%)

Section 1452(g)(2) of the SDWA allows up to 2 percent of the DWSRF Capitalization Grant to be set aside to support Small Systems Technical Assistance activities. Hawaii will reserve the right to take (bank) 2 percent (\$167,050.00) of the FFY06 capitalization grant this year to support these activities.

These funds will be used to provide assistance to public water systems serving fewer than 10,000 people or 89% of the public water systems. In Hawaii activities under this set-aside include helping systems prepare their DWSRF loan applications, assistance with improving their technical, financial, and managerial capability, training, and planning, and technical assistance via sanitary survey follow-ups and direct on-site assistance and via a Circuit Rider program to address any necessary improvements to the water system. Funds under this set-aside that are not used this year will be used for respective activities in future years or may be returned to the DWSRF loan fund.

D. Local Assistance and Other State Programs (15%)

Section 1452(k) of the SDWA allows up to 15 percent of the Capitalization Grant to be set aside to support Local Assistance and Other State Programs. Hawaii will reserve the right to take (bank) 6 percent (\$501,150.00) of the FFY06 capitalization grant this year to support these activities.

Activities under this set-aside include, but are not limited to, wellhead protection and related source water protection activities (such as creating local source water protection advisory committees, development of source water protection plans and strategies, and implementing protection activities including outreach and educational programs); technical, financial and managerial capacity development and related activities which may include vulnerability assessments, contingency and emergency response plans, and fencing and security cameras for protecting drinking water sources; and technical assistance via sanitary survey follow-ups and direct on-site assistance to address any necessary improvements to the water system. None of the individual activities listed will exceed 10% of any particular year's capitalization grant.

Previous year's unspent funds from 1997-2003 of approximately \$3,382,848.68 are in the process of being returned to the loan fund. Various amounts per grant year will be maintained as needed to pay expenses. The remaining funds from FY04 and prior years, and projected FY05 funds are included in the plan for SFY 2007. One year after each grant is awarded, if those funds identified are not allocated in the current workplan they will be returned to the DWSRF loan fund. Annually the program will evaluate the funds needed and identified in the workplan, and those FY04 and FY05 funds not allocated for the future will be returned to the loan fund as necessary.

V. PRIORITY LIST AND PROJECT SELECTION PROCEDURES

A. Priority List

Any project considered for funding must be listed on the current Project Priority List. The DWSRF Priority List of Projects for SFY 2007 is presented in Appendix B. In October of 2005, the Safe Drinking Water Branch, DWSRF Program sent an invitation via The Water Spot publication to all water purveyors within the State to submit proposed projects for DWSRF funding applications. The deadline for applications was November 30, 2005. The Priority List was developed by evaluating the projects based on the Project Selection Procedures and DWSRF Rating Criteria.

The priority ranking system is applicable for projects to be funded through the DWSRF program. Amendments to the priority selection procedures and rating criteria will be considered as appropriate to reflect the changing character of the program. The DWSRF Project Rating Criteria is found in Appendix C.

B. Project Selection Procedures

The State of Hawaii utilizes a ranking system to establish the order in which eligible projects will be financed. Projects are ranked based on the relative impact of the project in achieving the objectives of the Safe Drinking Water Act (SDWA). In general, priority is given to current construction projects that facilitate compliance with national primary drinking water regulations applicable to the system or otherwise significantly further the health protection objectives of the SDWA.

The Priority List is developed and updated each year and placed in the Intended Use Plan. The Intended Use Plan is then made available for public review and comment each year.

As required by the Safe Drinking Water Act Amendments of 1996, the priority ranking system attempts to assign the highest priority to those projects which:

1. Address the most serious risk to human health;
2. Are necessary to ensure compliance with the requirements of the Safe Drinking Water Act; and
3. Assist systems most in need, on a per household basis.

Projects are ranked against all other projects competing for funds using the DWSRF Project Rating Criteria. While points are

primarily assigned on a basis of the health problems or SDWA compliance issue being addressed by a project, a final criteria is reserved for determining the priority of eligible projects with the same point totals.

The SDWA amendments of 1996 require that 15% of the monies available for funding projects each fiscal year must go to public water systems that serve 10,000 or fewer persons (small systems). Thus, the highest ranking small water system projects that will be ready to proceed in that fiscal year will be selected to satisfy the minimum 15% level. In the event that there are no projects that meet these criteria, DOH will make this portion of the fund available to all other public water systems. This will ensure that the funds are allocated as expeditiously as possible and are efficiently utilized.

Due to the limited amount of funds available and the anticipated demand for low interest loans, the DWSRF emphasizes the financing of current construction projects addressing public health protection and compliance.

C. Tie Breaking Procedures

The following procedure is used for the purpose of breaking ties between projects at the time of evaluation.

1. If the tie is between public water systems with service populations greater than 10,000 persons (large PWS) and public water systems with service populations of 10,000 or fewer persons (small PWS), the small systems will be given the higher priority.
2. For small PWSSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income and the highest percentage below the poverty level. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.
3. Similarly for large PWSSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income

and the highest percentage below poverty. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.

D. By-pass Procedures

The DOH will work with the highest ranked public water systems to ensure that the highest ranked projects are funded first. However, the final funding selection of drinking water projects from the priority list will be based primarily on their "readiness to proceed." If, for whatever reason, a public water system is not ready to proceed with construction in a timely fashion, the DOH may select a lower ranking project for funding based on its ability to proceed in a timely manner. This "by-pass process" is necessary to ensure that the available funds will be disbursed in a timely manner.

The DOH reserves the right to fund lower priority projects over higher priority projects if in the opinion of DOH, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and initiation of construction (e.g. DOH has not received an approved application, project is not ready to proceed, or the public water system withdraws its project for consideration). If a project must be bypassed because it has been delayed, it will be given high priority for funding as soon as it is ready and funds become available. The DOH may also raise the priority of a project on the priority list in the case of an emergency or natural disaster, such as a landslide, hurricane, flood, earthquake, etc.

Currently, the DWSRF program will not be providing funding for project refinancing. Projects previously on the DWSRF list for which construction has been completed, per consultation with the Safe Drinking Water Branch; and loan application processing was not initiated prior or during construction; have been removed from the list. In order to receive DWSRF funding, all projects must comply with the DWSRF and State Environmental Review Process (SERP) prior to commencement of construction.

E. Disadvantaged Communities

In the future, the DWSRF may provide additional loan subsidies to benefit disadvantaged communities. A "disadvantaged community" is one in which the entire service area of a public water system meets affordability criteria to be determined by the State after public review and comment. At this time, it is unknown what the

level of this funding will be, however it cannot exceed 30 percent of the capitalization grant for any fiscal year.

F. Fundable List of Projects

For the SFY 2007 the following projects may be funded from the SFY 2007 DWSRF Priority List based on potential available funds and readiness to proceed.

Project No.	Project	Island	Construction Cost
DW133-0001	Kukuihaele Well "A"	Hawaii	\$2,671,606
DW130-0003	Waimea WTP Microfiltration - Phase IV	Hawaii	\$10,000,000
DW105-0001	Honomu Well "A"	Hawaii	\$2,000,000
DW213-0003	Kamole Weir Water Treatment Facility Clear Well Replacement	Maui	\$6,600,000
DW103-0001	Ninole Well "A"	Hawaii	\$2,000,000
DW109-0001	Pahala Well "B"	Hawaii	\$2,051,908
DW214-0006	Honokahua Well "A" GAC Treatment	Maui	\$1,700,000
DW128-0001	Halaula Well	Hawaii	\$2,200,000
DW234-0002	East-Central Molokai Link	Maui	\$4,000,000
DW106-0001	Kulaimano Well "B"	Hawaii	\$2,500,000
DW413-0003	Akulikuli Tunnel Repairs	Kauai	\$1,500,000
DW331-0026	Stadium Area Water System Improvements, Part I	Oahu	\$1,936,000
DW332-0003	Haleiwa Road Water System Improvements	Oahu	\$1,815,000
DW331-0025	Liliha Water System Improvements, Phase B	Oahu	\$1,815,000
DW331-0018	Pearl City Water System Improvements	Oahu	\$1,355,000
DW331-0024	Alewa Water System Improvements	Oahu	\$1,590,000
DW404-0003	Refurbish Eleele Steel Tanks	Kauai	\$1,000,000
DW406-0002	Waimea Canyon Drive Main Replacement	Kauai	\$3,000,000
DW408-0002	Poipu Road 16 inch Main Replacement	Kauai	\$1,400,000
DW413-0007	Pipeline Replacement, Kapaa Homesteads	Kauai	\$5,000,000
DW413-0008	Wailua Houselots Main Replacement, Ph I and II	Kauai	\$3,000,000
DW413-0006	16 inch Waterline Replacement along Kuhio Highway	Kauai	\$1,400,000

VI. Assurances and Proposals

A. Environmental Review

Applicants are responsible for conducting environmental assessments as defined by Chapter 343, HRS, entitled "Environmental Impact Statements," and outlined in "A Guidebook for the Hawaii State Environmental Review Process." The DWSRF program will review each Applicant's progress in this process. The DWSRF program reserves the right to refuse any SRF loan to any water purveyor for any reason if it feels that the proposed project has the potential to impact on the environment in ways that the purveyor has not considered or has not prepared mitigation measures for.

B. Federal Cross-Cutters

The State will ensure that all federal cross-cutters are addressed within the loan agreement prior to the finalization of the agreement. All projects seeking DWSRF assistance must have been and/or be constructed following all federal cross-cutters and other DWSRF environmental requirements.

C. Binding Commitment

Hawaii's DWSRF program will enter into binding commitments in an amount equal to the amount of each capitalization grant payment (capitalization grant less set-aside amounts) and accompanying State Match that is deposited into the Loan Fund. These commitments must be initiated within one year after receipt of each grant payment.

D. Timely Expenditure

The State will expend all funds in the DWSRF loan fund in a timely and expeditious manner.

VII. DWSRF-CWSRF FUND TRANSFER

The Hawaii SRF programs reserve the right to transfer up to 33 percent of the DWSRF capitalization grant to the CWSRF, or an equivalent amount from the CWSRF to the DWSRF, as needed. We have passed legislation that allows the programs to transfer funds if needed. At this time, the programs are not planning to transfer funds in SFY 2007.

VIII. U.S. ENVIRONMENTAL PROTECTION AGENCY STRATEGIC PLAN GOALS AND OBJECTIVES

The Hawaii DWSRF program supports the National USEPA Strategic Plan Goal 2 (Clean and Safe Water), Objective 1 (Protect Human Health), Sub-objective 1 (Water Safe to Drink) listed below. Specifically, Hawaii has established and manages the revolving loan fund that provides low cost loans and other types of assistance to water systems by financing the cost of infrastructure projects to achieve or maintain compliance with Safe Drinking Water Act requirements. Hawaii DWSRF activities support USEPA Program Reporting Code (PRC) 201B81E. Every summer, Hawaii and USEPA negotiate Hawaii's Strategic Plans commitments for the State Fiscal Year starting July 1. Hawaii's commitments for SFY07 will be submitted by August 2006.

Strategic Plan Goal 2: Clean and Safe Water

Strategic Plan Objective 2.1: Protect Human Health - Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters.

Strategic Plan Subobjective 2.1.1: Water Safe to Drink - By 2008, 95% of the population served by community water systems will receive drinking water that meets all applicable health-based drinking water standards through effective treatment and source water protection.

All planned and prior year loans have assisted public water systems meet the federal and state drinking water compliance requirements. Details of Hawaii's DWSRF activities supporting the National USEPA Strategic Plan will be included in the DWSRF Annual Report published in November of each year. A summary of loan activity for the fiscal year will be included in the report as well as details for each project. Project details will include a brief description and benefit of the project, number, dollar amount and population served for projects financed, and the interest rate for the loan.

Appendix A

Sources of DWSRF Funds for SFY 2007

Appendix A

SOURCES OF DWSRF FUNDS FOR SFY 2007

FFY 2006 DWSRF Capitalization Grant Appropriation	\$8,352,500.00	\$8,352,500.00
Less (Total Set-Asides for FFY2006):		
1. DWSRF Administration Fund (4%)	334,100.00	
2. State Program Management (10%)	0.00	
3. Small Systems Technical Assistance (2%)	0.00	
4. Local Assistance and Other State Programs (15%)	0.00	(334,100.00)
Total FFY 2006 Federal Funds to be available for Loans		8,018,400.00
 Projected State Match provided by the 2006 State Legislature:	 1,661,000.00	 1,661,000.00
Total DWSRF Loan Funding Resources		9,679,400.00
 Estimated Uncommitted DWSRF funds at June 30, 2006	 11,980,540.02	
Projected cash in from loan repayments for the period July 1, 2006 to June 30, 2007	 1,006,807.38	
Set-Aside Monies Returned to Loan Fund (from Cap Grant Appropriation of FFY 1997)	298,505.37	13,285,852.77
Total Estimated Available DWSRF Loan Funds from all Sources		\$22,965,252.77

Appendix B

DWSRF Priority List of Projects
for SFY 2007

Appendix B

DWSRF Priority List of Projects for SFY 2007

No.	Pts	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
1	150	DW133-0001	#133 DWS Kukuiahaele	455	Hawaii DWS	Kukuiahaele Well "A" (Replace Waiulili Spring): Replacement source for Waiulili Spring which has atrazine and indication of possible surface water influence.	Jun-07	\$ 2,671,606
2	145	DW130-0003	#130 DWS South Kohala	8,872	Hawaii DWS	Waimea WTP Microfiltration - Phase IV: Microfiltration plant for compliance with Enhanced Surface Water Treatment Rule and Disinfection/Disinfectant By-product Rule.	May-08	\$ 10,000,000
3	130	DW105-0001	#105 DWS Honoumou	621	Hawaii DWS	Honoumou Well "A" (Replace Akaka Falls Spring): Replacement source for Akaka Falls to comply with the Lead and Copper Rule and has indication of possible surface water influence.	Nov 03**	\$ 2,000,000
4	130	DW213-0003	#213 DWS Makawao	33,000	Maui DWS	Kamole Weir Water Treatment Facility Clear Well Replacement: Replace existing 300,000 gal clearwell at Kamole Treatment Plant with 2 MG clearwell tank.	Mar-06**	\$ 8,000,000
5	125	DW103-0001	#103 DWS Ninole	146	Hawaii DWS	Ninole Well "A" (Replace Chaves Spring): Replacement source for Chaves Spring which has atrazine.	Apr-08	\$ 2,000,000
6	120	DW109-0001	#109 DWS Pahala	1,316	Hawaii DWS	Pahala Well "B" (Replace Alii Tunnel): Replacement source for Alii tunnel which was determined to be a groundwater under the influence of surface water.	Feb-02 **	\$ 2,051,908
7	110	DW214-0006	#214 Lahaina	16,000	Maui DWS	Honokahua Well "A" GAC Treatment: Installation of Granular Activated Carbon Adsorption System to provide treatment for the removal of DBCP from well serving Mahinahina (Lahaina) system.	FY-08	\$ 1,700,000
8	105	DW128-0001	#128 Halaula	526	Hawaii DWS	Halaula Well: Replacement source for Bond Tunnel to comply with the Lead and Copper Rule. Construction of potable water well.	Apr-07	\$ 2,200,000
9	105	DW234-0002	#234 DWS Kaunakakai	3,338	Maui DWS	East-Central Molokai Link: Installation of connection between Uialapue and Kaunakakai-Kawela Systems to improve reliability and water quality (chlorides).	FY-09	\$ 4,000,000
10	100	DW106-0001	#106 DWS Pepekeo	1,359	Hawaii DWS	Kulaimano Well "B" (Replace Maukaloo Spring): Replacement source for Maukaloo Spring which is contaminated with atrazine.	Jan-07**	\$ 2,500,000

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DWSRF Priority List of Projects for SFY 2007

No.	Pts	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
11	95	DW413-0003	#413 DW Wailua-Kapaa	16,484	Kauai DW	Akuikuli Tunnel Repairs: Repairs to tunnel source which has possible indication of surface water influence.	Jan-07	\$ 1,500,000
12	80	DW218-0002	#218 DWS Honokohau	42	Maui DWS	Honokohau Water Source Replacement: Installation of a new well or treatment facility to replace source for the Honokohau system.	Jul-07	\$ 1,500,000
13	80	DW217-0003	#217 DWS Hana	1,084	Maui DWS	Hamao-Koali Waterline: Install 17,000-ft of 8-in waterline from Hamao to Koali Booster pump.	Jan-07	\$ 6,000,000
14	80	DW217-0001	#217 DWS Hana	1,084	Maui DWS	Koali Line and Tank Replacement: Replacement of approximately 17,000-ft of 4" WL from Hamao to Hana with 8" WL and appurtenances.	FY-08	\$ 2,765,000
15	80	DW217-0002	#217 DWS Hana	1,084	Maui DWS	Hamao Well: Develop well at existing Hamao Well and Tank site.	FY-09	\$ 1,200,000
16	80	DW234-0003	#234 DWS Kaunakakai	3,338	Maui DWS	Kaunakakai-Kawela System Well 2: New well to replace/supplement shallow well for water quality.	FY-08	\$ 3,500,000
17	80	DW412-0002	#412 DW Puhi	1,923	Kauai DW	Puhi Well No. 2 & 3 CO2 Removal: Installation of forced draftway aeration with the use of existing soda ash system for stabilizing the stripped water (Lead and <u>Copper</u> Rule).	May-08	\$ 305,000
18	80	DW331-0026	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Stadium Area Water System Improvements, Part I: Install 12-in main & appurtenances along Kalalao St from Ohkekani Lp to Kam Hwy-9000 LF. Install 8-in mains & appurtenances, etc... 5300 LF.	Aug-06**	\$ 1,936,000
19	80	DW332-0003	#332 BWS Wailua-Haleiwa	11,572	Hon BWS	Haleiwa Road Water System Improvements: Install 12-in main & appurtenances along Haleiwa Rd from Waialua Brach Rd to Paukaulia Stream Br - approx 1525 LF. Install 8-in mains, etc... 4500LF.	Aug-06**	\$ 1,815,000
20	80	DW331-0021	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Punahou Water System Improvements: Install 8" main & appurtenances along Hunnewell St from Lanihuli St to Seaview Ave, along Meikalf St from Wilder Ave to University Ave, etc.... 4500 LF.	FY-05	\$ 1,125,000

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DWSRF Priority List of Projects for SFY 2007

No.	Pts	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
21	80	DW331-0025	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Liliha Water System Improvements, Phase B: Install 12-in main & appurtenances along Liliha St from School St to Judd St-approx 2760 LF. Install 8-in & 4-in mains along Kaula St, etc... approx 1610 LF.	Aug-06**	\$ 1,815,000
22	80	DW214-0008	#214 DWS Lahaina	16,000	Maui DWS	Mahinahima Water Treatment Facility Retrofit: Retrofit WTF from multimedia to membrane filtration to achieve positive barrier to enhance water quality.	Dec-07	\$ 11,210,000
23	80	DW213-0005	#213 DWS Makawao	33,000	Maui DWS	Omaopio Tank Replacement: Replace existing tank with new tank, roof of old tank is failing.	Nov-07	\$ 6,800,000
24	80	DW212-0002	#212 DWS Wailuku & Makawao	85,200	Maui DWS	Kahului Tank Replacement: Replace existing tank with new tank, roof of old tank is failing.	Nov-07	\$ 5,450,000
25	80	DW331-0018	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Pearl City Water System Improvements: Install 8" mains & appurtenances along Hooheke St from Hookanike St to Hoola St etc... 5555 LF. Install 4" mains & appurtenances along pvt rds, etc... 300 LF.	Aug-06**	\$ 1,355,000
26	80	DW331-0023	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Kalama 400 Reservoir (1.0MG) and Kalama 170 Booster Station: Install reservoir and booster station to balance system.	Dec-08	\$ 4,500,000
27	80	DW331-0024	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Alewa Water System Improvements: Install 8-in mains & appurtenances along Alewa Drive from Mamalu St to Twin View Dr; along Mahalo St from Judd St to Twin View Dr, etc... approx 7205 LF.	Aug-06**	\$ 1,590,000
28	80	DW331-0022	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Waialae 180 Reservoir Replacement (3.0 MG): Demolish existing 1.0 MG reservoir and replace with 3.0 MG reservoir.	Dec-10	\$ 9,000,000
29	70	DW404-0003	#404 DW Hanapepe - Eleele	4,507	Kauai DW	Refurbish Eleele Steel Tanks: Refurbish leaking and deteriorating tanks, reroof, repair interior and exterior walls and floors (2-0.4 MG tanks).	Jul-06	\$ 1,000,000
30	70	DW130-0004	#130 DWS South Kohala	8,872	Hawaii DWS	Waimea WTP Sludge Disposal - Phase III: Sludge disposal system for compliance with Filter Backwash Recycling Rule.	Jul-06	\$ 5,000,000

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DWSRF Priority List of Projects for SFY 2007

No.	Pts	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
31	70	DW403-0001	#403 DW Hanalei	989	Kauai DW	Rehabilitation of Maka Ridge Deep Well, Tank Pipeline and Roadway: Rehabilitate Maka Ridge deep well control building, tank walls, and roof. Replace 3650-ft of 8-in pipeline & improve road.	Jun-07	\$ 2,000,000
32	70	DW415-0002	#415 DW Haena-Wainiha	1,051	Kauai DW	Haena Steel Tank and Wainiha Booster Pump Renovation (HW-02 & HW-03): Repairs and renovations to the existing 0.1 MG steel tank and installation of a pair of 50 gpm booster pumps.	Mar-07	\$ 1,400,000
33	70	DW406-0002	#406 DW Kekaha	3,007	Kauai DW	Waimea Canyon Drive Main Replacement: Phi: Waimea Canyon Drive 12" main replacement and PhII: Kaunualii Hwy 6" main replacement.	Apr-06	\$ 3,000,000
34	70	DW408-0002	#408 DW Koloa-Poipu	5,136	Kauai DW	Poipu Road 16 inch Main Replacement: Phi: Kiahuna Plant Dr to Kuai Rd, PhII: Lawai Rd to Kiahuna Plant Dr.	Feb-06**	\$ 1,400,000
35	70	DW409-0002	#409 DW Lawai-Omao	3,391	Kauai DW	Omao 677 - 0.50 MG Tank: Construct new 0.50 MG tank at 677.	Dec-06	\$ 1,500,000
36	70	DW412-0003	#412 DW Puhi	1,923	Kauai DW	Kokolau Intake Facility and Pipeline Replacement: Upgrade of intake facility along with repairs and renovation of the existing 15-in connecting waterline for the Lihue Water System.	Apr-07	\$ 2,750,000
37	70	DW434-0001	#434 DW Kalaheo Deep Well	5,108	Kauai DW	Kukuiohono 0.2 MG Tank Refurbish: Refurbish leaking and deteriorating tank, reroof, repair interior and exterior walls and floor.	Jan-07	\$ 400,000
38	70	DW434-0002	#434 DW Kalaheo Deep Well	5,108	Kauai DW	Kalaheo Nursery Tank Booster Pump Station (2-200 GMP): Refurbish leaking and deteriorating tank, reroof, repair interior and exterior walls and floor.	Jan-08	\$ 350,000
39	70	DW413-0007	#413 DW Wailua-Kapaa	16,484	Kauai DW	Pipeline Replacement, Kapaa Homesteads: Wailua-Kapaa Water System; Kappa, Kauai, HI - Pipeline Replacement - 23,470+LF.	Sep-06**	\$ 5,000,000
40	70	DW413-0008	#413 DW Wailua-Kapaa	16,484	Kauai DW	Wailua Houselots Main Replacement, Ph I and II: Wailua-Kapaa Water System, Wailua, Kauai, HI - Pipeline Replacement - 10,170+LF.	Jul-06**	\$ 3,000,000

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DWSRF Priority List of Projects for SFY 2007

No.	Pts	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
41	70	DW413-0006	#413 DW Wailua-Kapaa	16,484	Kauai DW	16 inch Waterline Replacement along Kuhio Highway: Leho Drive to N. Papaloa Road, Wailua, Kauai, Hawaii. 16" Pipeline replacement on Kuhio Highway.	Feb-06**	\$ 1,400,000
42	60	DW248-0001	#248 Kawela Plantation	160	Kawela Plantation Homeowners Association	Kawela Plantation Source Replacement: Installation of new wells and supporting infrastructure at Kawela Plantation, Molokai.	pending funding (Sep-06)	\$ 1,650,000
43	60	DW417-0003	#417 Gay & Robinson	2,201	Gay & Robinson	Kaumakani Storage Tanks: Replace leaking and deteriorating 100,000 gallon tank.	pending funding	\$ 150,000
44	60	DW417-0001	#417 Gay & Robinson	2,201	Gay & Robinson	Pakala Water Tank: Replace a leaking and deteriorated redwood tank.	pending funding	\$ 130,000
45	60	DW417-0002	#417 Gay & Robinson	2,201	Gay & Robinson	Olokele Shaft Pipe Repair: Olokele Shaft State Well No. 5635-01, slipline aging and leaking transite asbestos pipe. 800' of 10" pipe at 30 degrees slope.	pending funding	\$ 100,000
46	55	DW220-0002	#220 DWS Nahiku	86	Maui DWS	Nahiku Tunnel Replacement: Replacement source for Nahiku Tunnel which is inadequate in size & may be susceptible to becoming a groundwater under the influence of surface water.	FY-09	\$ 1,500,000
47	55	DW233-0001	#233 DWS Ualapue	979	Maui DWS	Ualapue Well Replacement: Installation of replacement source for Ualapue System which has increasing chloride levels and may be susceptible to becoming a groundwater under the influence of surface water.	FY-09	\$ 2,000,000
48	45	DW108-0001	#108 DWS Waiohinu-Naalehu	2,225	Hawaii DWS	Waiohinu Well (Replace Mountain House Tunnel & Hao Spring): Replacement source for Mountain House Tunnel & Hao Springs which are not reliable during drought & indication of possible surface water influence.	Jul-06	\$ 2,000,000
49	45	DW154-0001	#154 DWS Hakalau-Wailea	272	Hawaii DWS	Hakalau Spring Improvement: Installation of a filtration system for spring which has possible indications of surface water influence.	Apr-08	\$ 2,370,000
50	45	DW161-0001	#161 DWS Haina	3,312	Hawaii DWS	Ahualoa Well Development: Well development to replce Kohakohau Stream, a surface water source.	May-06	\$ 5,000,000

Appendix C

DWSRF Project Rating Criteria

Appendix C

DWSRF Project Rating Criteria

1. Projects to Correct Acute Health Problems (Only ONE problem will be credited within this category.)
 - a. Waterborne disease outbreak. 100
 - b. Surface Water Treatment Rule compliance (includes groundwater determined by DOH to be under the direct influence of surface water or GWUDI). 100
 - c. Total Coliform Rule compliance.
 - Fecal coliforms. 100
 - Total coliforms. 80
 - d. Nitrate or Nitrite. 100
 - e. Indication of possible surface water influence to a ground water source through Giardia, Cryptosporidium, microscopic particulate analyses, etc. While the evidence may not be conclusive enough for DOH to make a determination, the water utility has decided to correct this potential problem. 25
 2. Projects to Correct Chronic Health Problems (Only ONE problem will be credited within this category.)
 - a. Lead & Copper Rule (90th percentile values).
 - Lead Action Level (0.015 mg/L) exceedance. 80
 - Copper Action Level (1.3 mg/L) exceedance. 60
 - b. Organic Chemical. 80
 - c. Inorganic Chemical. 80
 - d. Project to address a currently unregulated or any other contaminant not addressed above. 60
 - e. Infrastructure improvements or replacements to provide safe drinking water. These include installation, replacement, or rehabilitation of eligible water sources, treatment facilities and processed, pumps, storage, transmission and distribution piping, and other eligible infrastructure needs. 50
-

3. Other Public Health Criteria (A maximum of 50 points can be accumulated in this category.)

- a. All water sources serving the system are affected by the same health problem being corrected. 25
- b. The public water system has taken interim steps to temporarily resolve the water quality problem and has committed to a definitive, long-term solution. 25

4. Incentives (A maximum of 50 points can be accumulated in this category.)

- a. Small system (10,000) consolidation.
Project will protect public health by supplying safe drinking water from a qualified local government or a water authority within a certified government to an existing, privately-owned public water system that demonstrates or may demonstrate non-compliance with the current or future state and federal drinking water regulations. 50
- b. The project is required as part of a DOH compliance order.
Violation incurred before July 1, 1997. 25
Violation incurred on or after July 7, 1997. 15
- c. Required Phase II and V monitoring is up-to-date. 10
- d. DOH approved Cross-Connection Control program w/ testing. 10
- e. Water Conservation Program. 10
- f. DOH approved Wellhead Protection or Source Water Assessment program(s). 10

Note: Projects involving the refinancing of existing debt will receive a preliminary score using the same criteria as current construction projects. The preliminary score will then be divided by one thousand (1,000) to determine the refinancing project's final point total for the Priority List.

Ties: The procedure to be used for breaking ties between projects will be as follows:

1. If the tie is between public water systems with service populations greater than 10,000 persons (large PWS) and public water systems with service populations of 10,000 or fewer persons (small PWS), the small systems will be given the higher priority.
2. For small PWSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income and the highest percentage below the poverty level. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.
3. Similarly for large PWSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income and the highest percentage below the poverty level. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.

Appendix D

Federal Capitalization Grant Payment Schedule for FFY 2007 and 2008

Appendix D

FEDERAL CAPITALIZATION GRANT PAYMENT SCHEDULE FOR FFY 2007 AND 2008

DWSRF Payments:		Fiscal Year 2007				Fiscal Year 2008			
		<----->				<----->			
		QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4
Total Set Asides:	0	0	0	0	0	0	0	0	0
DWSRF Loans:	8,352,500	0	0	0	0	0	2,784,167	2,784,167	2,784,166
Total for the quarter:		0	0	0	0	0	2,784,167	2,784,167	2,784,166
Total Ceiling:	8,352,500	0	0	0	0	0	2,784,167	5,568,334	8,352,500